

Message Text

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SUBJ: DAIMLER BENZ CHAIRMAN ON CO-DETERMINATION (MITBESTIMMUNG)
AND RECESSION

REF: STUTTGART 0889

SUMMARY:

CHAIRMAN OF THE BOARD OF DAIMLER BENZ EXPRESSED STRONG
NEGATIVE VIEWS ON CODETERMINATION NOVEMBER 6, IN
LONG CONVERSATION SETTING FORTH HIS OWN APPROACH TO
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MANAGEMENT OF HIS SUCCESSFUL ENTERPRISE AND ITS

GENERAL PROSPECTS FOR 1974. HE APPARENTLY DOES NOT SUBSCRIBE TO THE VIEW EXPRESSED AT DAIMLER BENZ BOARD MEETING THE DAY BEFORE THAT SPD/FDP MEMBERS OF BUNDESTAG MAY BE WILLING TO SOFTEN THEIR DEMANDS ON THIS ISSUE.
END SUMMARY.

1. PROF. DR. JOACHIM ZAHN, PRESIDENT OF DAIMLER BENZ AG, EXPRESSED STRONG OPPOSITION TO CODETERMINATION DURING MY NOVEMBER 6 INTRODUCTORY CALL ON HIM. CONVERSATION WAS DELAYED A FEW MINUTES UNTIL ZAHN COMPLETED A PHONE CONVERSATION IN WHICH, HE SAID, HE REBUKED HERR MOMMSON, BOARD CHAIRMAN OF KRUPP, FOR TESTIFYING BEFORE A BUNDESTAG COMMITTEE NOVEMBER 5 ON BEHALF OF LABOR UNIONS AND IN FAVOR OF MITBESTIMMUNG. ACCORDING TO ZAHN, HE TOLD MOMMSON THAT A LEADING INDUSTRIALIST COULD NOT WEAR THE UNIFORM OF FREE ENTERPRISE AND TESTIFY AS A MEMBER OF THE ENEMY CAMP.

2. ZAHN THEN DEVELOPED RATIONALE FOR MOMMSON'S BEHAVIOR DURING LENGTHY CONVERSATION OR, MORE ACCURATELY, LECTURE WHICH RETAINED SOME OF THE EMOTIONAL QUALITY OF THE TELEPHONE CONVERSATION WHICH PRECEDED IT. HE SUGGESTED THAT RESOLVE OF UPPER BOURGEOIS CLASS HAD BEEN WEAKENED BY FACTORS BEYOND THEIR CONTROL, INCLUDING THE DENAZIFICATION PROCESS AFTER WORLD WAR II, DETENTE POLICIES OF USG AND FRG, AND THE PROFIT MOTIVATED ROLE OF U.S. CORPORATIONS, WHICH HAD PLAYED INTO THE HANDS OF THE TRADE UNION AND SOCIALIST OPPOSITION. ON LATTER POINT, HE EXPLAINED THAT DURING 1966-67 RECESSION GM AND FORD HAD PRECIPITOUSLY LAID OFF THOUSANDS OF GERMAN WORKERS, DESPITE HEAVY PROFITS COMPANIES HAD MADE HERE IN PRECEDING YEARS, AND THIS HAD AROUSED ANTAGONISM. HE SUGGESTED THAT ANTI-AMERICAN BIAS EXPRESSED IN RECENT GERMAN TV DOCUMENTARIES ON THE MULTI-NATIONAL CORPORATION WAS DUE IN PART TO LIMITED OFFICIAL USE

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SUCH BEHAVIOR. ZAHN CRITICISED BOTH LIBERALS, WHO DO NOT UNDERSTAND THE IMPACT THEIR SOCIAL AND ECONOMIC THEORIES WILL HAVE ON VIABILITY OF ECONOMY, AS WELL AS CONSERVATIVE BUSINESSMEN WHO ACT ARBITRARILY IN DISREGARD IMPACT THEIR BEHAVIOR MAY HAVE IN AROUSING SOCIAL ANTAGONISMS. BALANCED APPROACH, RECONCILING BUSINESS INTERESTS WITH WELL-BEING OF EMPLOYEES, IS BEST. CODETERMINATION, HOWEVER, GOES TOO FAR, FOR

IT WOULD IGNORE PRINCIPLE THAT SOMEONE MUST BE IN CHARGE OF AN ORGANIZATION, AND THIS AS A RIGHT INHERENT IN MANAGEMENT AND PRIVATE OWNERSHIP. IF ALL ARE IN CHARGE, NO ONE IS, AND NO HAND WILL BE ON THE RUDDER.

3. DR. ZAHN SAID HE HAD BEEN TRYING TO AROUSE AMERICAN AND EUROPEAN BUSINESS LEADERS TO THE DANGERS OF CURRENT SOCIALIST TRENDS, PARTICULARLY IN GERMANY, FOR THE LAST TEN YEARS. WHILE NEARLY ALL HAD BEEN DEAF TO HIS WARNINGS, HE HAD FOUND DAVID ROCKEFELLER TO BE VERY SENSIBLE AND AWARE OF DEVELOPMENTS HERE, AND SAID HE HAD RECENTLY SENT MR. ROCKEFELLER A COPY OF A STUDY ON CODETERMINATION.

4. WARMING TO HIS PROFESSIONAL ROLE, THE D/B EXECUTIVE CLAIMED THAT HIS EARLIER WARNINGS TO OTHER AUTO PRODUCERS (GM, FORD, CHRYSLER, VW), THAT THE AUTOMOBILE MARKET WAS BECOMING SATURATED, NOW APPEAR TO BE ONLY TOO PAINFULLY TRUE. THESE OTHER COMPANIES MUST NOW SUFFER THE CONSEQUENCES OF THEIR DETERMINATION TO OVEREXPAND PRODUCTION. MERCEDES, ALTHOUGH IN A BETTER POSITION (MERCEDES -BENZ WILL BE ALRIGHT IN 1974) WILL ALSO SUFFER BECAUSE IT IS IN THE SAME BOAT: INFLATION, THE OIL CRISIS, AND OVERPRODUCTION COMBINE TO CREATE THE NEED FOR STRUCTURAL CHANGES. UNLIKE THE 1966-67 RECESSION, THE CURRENT DECLINE HERE IS STRUCTURAL IN NATURE AND WILL BE MORE SERIOUS. PRESSED TO EXPLAIN THIS POINT, DR. ZAHN SEEMED TO WAFFLE, SAYING THAT HE WAS NOT AN EASTERN ESTABLISHMENT LIBERAL WHO HAD AN EXPLANATION FOR EVERYTHING. INTUITION AND EXPERIENCE DETERMINED HIS VIEWS.

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5. HERR HEINZ C. HOPPE, MANAGER OF FOREIGN SALES, GAVE A SOMEWHAT MORE OPTIMISTIC ASSESSMENT JUST BEFORE THE CONVERSATION WITH ZAHN. ON CODETERMINATION, HOPPE SAID THAT HERR HANS MARTIN SCHLEYER, MANAGER OF ADMINISTRATION FOR DAIMLER BENZ AND PRESIDENT OF THE GERMAN EMPLOYERS ASSOCIATION, HAD TOLD THE DAIMLER BENZ BOARD NOVEMBER 5 THAT HE BELIEVED THAT THE SPD/FDP MEMBERS OF THE BUNDESTAG WERE BECOMING SOMEWHAT RELUCTANT TO PUSH A HARD LINE ON MITBESTIMMUNG (SCHLEYER TESTIFIED BEFORE A BUNDESTAG COMMITTEE NOVEMBER 5). AS FOR MERCEDES SALES, HOPPE SAID 1974 SALES WORLDWIDE WERE ABOUT 8 PER CENT (VOLUME), THAT 51 PER CENT OF TOTAL SALES WOULD BE EXPORTS RATHER THAN THE 48 PER CENT EARLIER PROJECTED FOR THE YEAR, AND THAT SALES ARE HOLDING UP WELL GIVEN THE CUSHION PROVIDED

BY EARLIER BACKLOGS, INCREASING POPULARITY OF DIESEL MODELS IN THE U.S. AND INCREASED ORDERS (ESPECIALLY OF TRUCKS) FROM THE MIDDLE EAST. HE ADDED THAT DAIMLER BENZ DOES NOT PLAN, NOT YET AT LEAST, TO REDUCE WORKING HOURS OR TO LAY OFF ANY OF ITS 150,000 EMPLOYEES. LIKE MANY OTHER GERMAN FIRMS, HOWEVER, DAIMLER BENZ CURRENTLY HAS A FREEZE ON EMPLOYMENT. DAIMLER BENZ FACED IN 1974 INCREASED COSTS OF 1.4 BILLION DM, ONLY 800 MILLION OF WHICH WILL BE RECOVERED THROUGH PRICE HIKES OF 6.5 PER CENT, LEAVING A GAP OF 600 MILLION DM. DAIMLER BENZ ACCORDINGLY HAS INCREASED ITS CAPITALIZED RESERVE AND BORROWED FUNDS ON THE MARKET DESPITE INTEREST RATES OF UP TO 14-15 PER CENT.

COMMENTS:

DR. ZAHN'S COMMENTS ON THE ROLE OF HERR MOMMSON, WHILE MORE PUNGENT, ARE SIMILAR TO THOSE EXPRESSED HERE LAST MONTH BY OTHER LOCAL INDUSTRIALISTS, I.E. THAT INDUSTRY REPRESENTATIVES WERE PULLING THEIR PUNCHES OUT OF FEAR OF DGB RETALIATION (STUTTGART 0889). DR. ZAHN OBVIOUSLY IS DEEPLY CONCERNED THAT TRADITIONAL MANAGERIAL RESPONSIBILITY, AS WELL AS FUTURE PROSPERITY OF HIS LARGE ORGANIZATION, COULD BE SERIOUSLY UNDERMINED BY LIMITED OFFICIAL USE

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LIGISLATION CURRENTLY UNDER CONSIDERATION IN BONN. MAKING ALLOWANCES FOR EMOTIONAL RESIDUE OF HIS CONVERSATION WITH MOMMSON AND HIS DESIRE DRIVE HOME THE LESSON TO HIS NEW AMERICAN AUDIENCE, ZAHN DOES SEEM GENERALLY SKEPTICAL THAT SPD/FDP PARLIAMENTARIANS WILL RELAX DEMANDS FOR A CODETERMINATION LWA LAW THAT WOULD DESTROY THE UNDERPINNINGS OF PRIVATE MANAGERIAL RESPONSIBILITY AS HE ENVISAGES IT. WHILE HIS WARNINGS TO OTHER AUTOMOBILE PRODUCERS PROBABLY ARE PROPHETIC, THEY MAY ALSO REFLECT A VIEW THAT CARTELS ARE MORE RATIONAL, FOR THEIR DIVISION OF THE MARKET AVOIDS OVER-PRODUCTION. JENKINS

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